

Message Text

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PAGE 01 BRASIL 03920 01 OF 04 162127Z
ACTION ARA-14

INFO OCT-01 IO-13 ISO-00 TRSE-00 STRE-00 SSO-00 SS-15
NSCE-00 SP-02 PA-01 ICAE-00 CIAE-00 INR-10
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O R 162020Z MAY 78
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC IMMEDIATE 7529
INFO USMISSION GENEVA
AMCONSUL SAO PAULO
AMCONSUL RIO DE JANEIRO

LIMITED OFFICIAL USE SECTION 1 OF 4 BRASILIA 3920

PASS TREASURY FOR BERGSTEN
GENEVA FOR USMTN
DEPT PASS STR ELECTRONICALLY FOR AMBASSADOR WOLFF

EO 11652 NA
TAGS ETRD BR
SUBJECT: BRASILIAN RESPONSE TO SPEECH BY TREASURY ASSISTANT
SECRETARY BERGSTEN

REF: BRASILIA 3919

1. SUMMARY. TREASURY ASSISTANT SECRETARY BERGSTEN'S SPEECH
OF 9 MAY TO THE US-BRAZIL CHAMBER OF COMMERCE IN NEW YORK ELICITED
WIDESPREAD COMMENT IN THE BRAZILIAN PRESS AND AMONG GOB AND PRIVATE
SECTOR SPOKESMEN. THE RESPONSE WAS GENERALLY NEGATIVE AND RANGED
FROM DISAPPOINTMENT AND SURPRISE TO CONSIDERABLE IRRITATION AND
ANGER. EDITORIAL WRITERS FOR THE JORNAL DO BRASIL, GAZETA MERCAN-
TILE, AND FOLHA DE SAO PAULO WERE THE MOST SEVERELY CRITICAL.
THEY CALLED THE SPEECH ARROGANT AND PATERNALISTIC AND CONTRASTED
ITS ALLEGED THREATS TO BRAZIL WITH A REPORTEDLY CONCILIATORY
APPROACH ATTRIBUTED TO THE US DELEGATION HEADED BY AMB WOLFF IN
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PAGE 02 BRASIL 03920 01 OF 04 162127Z

TRADE TALKS WITH THE GOB MAY 8-9 IN BRASILIA. ON THE OTHER HAND,
MINISTERS SIMONSEN AND VOLLOSO AND HEAD GOB TRADE NEGOTIATOR,
PROENCA ROSA, CHOSE TO TAKE A RELATIVELY MODERATE LINE. THEY CON-
SIDERED BERGSTEN'S STATEMENT TO BE REITERATION OF US POLICY WHICH
CAME AT AN INOPPORTUNE TIME IN VIEW OF THE POSITIVE AND CONSTRUC-
TIVE OUTCOME OF THE SIMULTANEOUS TALKS OF THE SUB-GROUP ON TRADE.
COMMENTS BY OTHER GOB OFFICIALS AND IN THE PRIVATE SECTOR WERE

SOMEWHAT LESS RESTRAINED. MANY USED THE OCCASION TO BE SHARPLY CRITICAL OF THE US TRADE ACT, TO CHARGE THAT BERGSTEN DOES NOT UNDERSTAND BRAZIL'S PROBLEMS, AND TO REPLY THAT HIS COMMENTS WERE OUT-OF-STEP WITH USG POLICIES AS PRESENTED BY AMBASSADOR WOLFF. THE EMBASSY CONSIDERS THE EMOTIONAL REACTION TO THE BERGSTEN SPEECH A REFLECTION OF BRAZIL'S SENSITIVITY TO PUBLIC CRITICISM OF GOB POLICIES. IN SPITE OF ITS SCOPE AND NEGATIVE CHARACTER, THE RESPONSE DOES NOT SUGGEST THAT THE GOB ITSELF WILL ADOPT A MORE DIFFICULT ATTITUDE IN TALKS IN COMING WEEKS. IN DEED, THE COMBINATION OF BERGSTEN'S FIRM STATEMENT OF THE NEED FOR PROGRESS ON SUBSIDIES/COUNTERVAILING DUTIES AND WOLFF'S ENCOURAGING TALKS COULD CONCEIVABLY LEAD TO A MORE FORTHCOMING GOB POSITION IN THE CULMINATING PHASE OF THE MTN. ON THE OTHER HAND, SINCE THE GOB NEVER LIKES TO ACT UNDER WHAT IT PERCEIVES AS EXTERNAL PRESSURE, THE ABILITY OF THE MODERATES WITHIN THE GOB TO PURSUE FLEXIBLE AND CONSTRUCTIVE POSITIONS MAY HAVE BEEN MADE MORE DIFFICULT. END SUMMARY.

2. COMPREHENSIVE REPORTING ON BERGSTEN'S SPEECH.

ASSISTANT SECRETARY BERGSTEN'S ADDRESS ON MAY 9 IN NEW YORK WAS REPORTED WIDELY IN BRAZILIAN PAPERS, THREE OF WHICH HAD HEADLINES REFLECTING BERGSTEN'S KEY MESSAGE THAT BRAZIL SHOULD ABOLISH ITS PROTECTIONIST SYSTEM: (JORNAL DO BRASIL-QUOTE UNITED STATES EXHORTS BRAZIL TO ABOLISH PROTECTIONIST SYSTEM END QUOTE; ESTADO DE SAO PAULO-QUOTE BRAZIL'S PROTECTIONISM IS PREJUDICIAL END QUOTE; O GLOBO-QUOTE BERGSTEN: BRAZIL OUGHT TO END PROTECTIONISM END QUOTE). LIMITED OFFICIAL USE

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PAGE 03 BRASIL 03920 01 OF 04 162127Z

THE ABOVE THREE NEWSPAPERS PLUS THE FOLHA DE SAO PAULO AND THE GAZETA MERCANTIL CARRIED EXTENSIVE QUOTES FROM THE BERGSTEN SPEECH. THEY EMPHASIZED HIS APPEAL TO BRAZIL TO ABANDON PROTECTIONISM AND HIS WARNING THAT CONTINUATION OF CURRENT POLICIES WOULD BE CONTRARY TO BRAZIL'S OWN INTERESTS AND THOSE OF OTHER COUNTRIES. THEY REFERRED SPECIFICALLY TO HIS COMMENTS ON BRAZIL'S HIGH TARIFFS AND EXPORT SUBSIDIES. ALL FIVE NEWSPAPERS QUOTED DIRECTLY HIS COMMENT THAT BRAZIL'S SUBSIDIZATION OF EXPORTS OF SHOES AND TEXTILES COULD BECOME AN IMPORTANT MOTIVE FOR CONFLICT IN BILATERAL TRADE RELATIONS. THE FOLHA DE SAO PAULO ENTITLED ITS ARTICLE QUOTE US THREATENS 14 BRAZILIAN PRODUCTS END QUOTE. SEVERAL ARTICLES ALSO MENTIONED BERGSTEN'S REFERENCE TO THE BILATERAL AGREEMENT BETWEEN THE

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PAGE 01 BRASIL 03920 02 OF 04 162135Z
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O R 162020Z MAY 78
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LIMITED OFFICIAL USE SECTION 2 OF 4 BRASILIA 3920

US AND URUGUAY AS A POSSIBLE MODEL FOR EXPORT SUBSIDIES/COUNTER-
VAILING DUTY ARRANGEMENT. ALSO QUOTED WAS BERGSTEN'S STATEMENT
THAT THE KEY ISSUE FOR BRAZIL IS HOW TO TRANSLATE ITS ENHANCED
ECONOMIC POSITION INTO MORE EFFECTIVE PARTICIPATION IN WORLD ECONOMIC
AFFAIRS. THE PRESS COVERAGE CONSISTENTLY OMITTED REFERENCE TO BERG-
STEN'S EMPHASIS ON AN MTN CODE, RECOGNITION OF THE NEED FOR FLEX-
IBILITY IN APPLYING NEW RULES TO LDCS, AND THE US ACCEPTANCE, AS A
GENERAL RULE, THAT CVD SHOULD BE APPLIED ONLY WHEN A SUBSIDY
THREATENS OR CAUSES INJURY TO A DOMESTIC INDUSTRY.

3. SHARP EDITORIAL REACTION. BERGSTEN'S SPEECH ELICITED AN UNUSUALLY
STRONG NEGATIVE REACTION AMONG EDITORIAL WRITERS. THEY UNIFORMLY
EXPRESSED SURPRISE AT HIS COMMENTS AND REJECTED HIS MAIN POINTS
AS, AT WORST, MISLEADING AND QUOTE ARROGANT UNQUOTE, AND, AT
BEST, INOPPORTUNE. MOST WRITERS COMPARED HIS QUOTE THREATENING
REMARKS END QUOTE WITH THE QUOTE CONCILIATORY AND COOPERATIVE
APPROACH END QUOTE OF AMBASSADOR ALAN WOLFF'S TRADE TALKS THAT
CONCLUDED IN BRASILIA THE SAME DAY THAT BERGSTEN'S ADDRESS WAS
DELIVERED IN NEW YORK. THE SHARPEST EDITORIAL COMMENT APPEARED
IN THE JORNAL DO BRASIL, WHICH EXPRESSED DISAPPOINTMENT AND SURPRISE
WITH QUOTE BERGSTEN'S SHOCK END QUOTE AND SAID THAT QUOTE BERGSTEN
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PAGE 02 BRASIL 03920 02 OF 04 162135Z

TAKES THE OFFENSIVE END QUOTE. IN A MAJOR EDITORIAL ENTITLED QUOTE
ARROGANT ADICE END QUOTE THE JORNAL DO BRASIL COMPARED BERGSTEN
TO DISRAELI PROCLAIMING ORDERS FOR THE BRAZILIAN ECONOMY. THE
EDITORIAL CLAIMED THAT THE BERGSTEN SPEECH REVEALED A SURPRISING
CHANGE IN HIS ATTITUDE SINCE HIS VISIT TO BRAZIL IN DECEMBER 1977.
THE EDITORIAL ALSO FUMED THAT QUOTE HE RECOMMENDS IMPERIALISTICALLY
THAT BRAZIL SHOULD BEHAVE ITSELF LIKE URUGUAY END QUOTE. IT FOUND
HIS COMMENTS PARTICULARLY SURPRISING IN VIEW OF AMBASSADOR WOLFF'S

STATEMENT THAT QUOTE WE HAVE MADE GREAT PROGRESS IN THESE TWO DAYS OF CONVERSATIONS END QUOTE. THE THE EDITORIAL ADDED THAT QUOTE BERGSTEN'S RADICAL POSTURE..... WAS EVEN MORE SHOCKING END QUOTE BECAUSE IT CAME FROM THE TREASURY DEPT INSTEAD OF FROM THE OFFICE OF THE SPECIAL TRADE REPRESENTATIVE WHICH IT SAID MIGHT BE EXPECTED TO ASSUME A MORE INTRANSIGENT POSITON. THE EDITORIAL CONCLUDED BY EMPHASIZING MINISTER SIMONSEN'S COMMENT THAT THE MAIN OBJECTIVE IS TO SIT DOWN AND DISCUSS EXISTING PROBLEMS AND IT SAID THAT QUOTE IT IS VERY PROBABLY THAT GOOD SENSE WILL PREVAIL IN SPITE OF THE ARROGANT TONE OF BERGSTEN'S SPEECH END QUOTE.

4. THE GAZETA MERCANTILE CARRIED AN EDITORIAL QUOTE BRAZIL-US: AN INOPPORTUNE WARNING END QUOTE, IN WHICH IT CHARACTERIZED BERGSTEN'S SPEECH AS UNTIMELY AND HAUGHTY. IT CRITIZED THE TIMING AND CONTRASTED THE SPEECH'S QUOTE PATERNALISTIC ATTITUDE END QUOTE WITH THAT OF THE WOLFF MISSION WHICH (ACCORDING TO AN ACCOMPANYING ARTICLE) QUOTE WAS NEGOTIATING US CONCESSIONS IN EXCHANGE FOR BRAZILIAN FLEXIBILITY IN THE GATT END QUOTE. THE GAZETA MERCANTILE DEEMED BERGSTEN'S REFERENCES TO URUGUAY AND JAPAN AS INAPPROPRIATE AND ACCUSED BERGSTEN OF NOT UNDERSTANDING THE SPECIAL CIRCUMSTANCES WHICH JUSTIFY BRAZIL'S IMPORT RESTRICTIONS AND EXPORT SUBSIDIES. IT REFERRED TO BRAZIL'S TRADE DEFICITS AND TO BRAZIL'S FOREIGN DEBT. THE EDITORIAL CONCLUDED BY NOTING THAT QUOTE THE AMERICAN FINANCIAL MARKET IS THE PRINCIPAL SUPPLIER OF RESOURCES TO BRAZIL END QUOTE AND SAYING THAT QUOTE THE STABILITY LIMITED OFFICIAL USE

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PAGE 03 BRASIL 03920 02 OF 04 162135Z

OF BRAZIL'S EXTERNAL ACCOUNTS BECOMES THEREFORE A QUESTION OF INTEREST ALSO FOR THE UNITED STATES. THESE ARE CONSIDERATIONS UPON WHICH BERGSTEN OUGHT TO MEDITATE BEFORE STARTING TO DICTATE RULES OF CONDUCT END QUOTE.

5. EDITORIAL COMMENT ON THE ECONOMIC PAGE OF THE ESTADO DE SAO PAULO ARGUED THAT QUOTE THE UNITED STATES HAS NO MORAL AUTHORITY TO CONDEMN TRADE PRACTICES OF OTHER COUNTRIES BECAUSE OF THE EXISTENCE OF THE 1974 TRADE ACT WHICH CERTAINLY IS NOT LIBERAL AND IS NOT IN ACCORD WITH THE GATT END QUOTE. THE ESTADO DE SAO PAULO ALSO EMPHASIZED

THE ALLEGED NECESSITY OF RECOURSE TO PROTECTIONIST MEASURES BY BRAZIL FOR ECONOMIC DEVELOPMENT AND BALANCE OF PAYMENTS REASONS. IN AN EDITORIAL ENTITLED QUOTE FRED'S BLACKMAIL END QUOTE, THE FOLHA DE SAO PAULO CHARGED BERGSTEN WITH GRATUITOUS TUTORING AND WITH CLEARLY THREATENING BRAZIL. THE EDITORIAL WAS SARCASTIC AND ACCUSED BERGSTEN OF APPLYING A DOUBLE STANDARD TO US TRADE POLICIES AND TO BRAZIL'S TRADING SYSTEM.

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PAGE 01 BRASIL 03920 03 OF 04 162145Z
ACTION ARA-14

INFO OCT-01 IO-13 ISO-00 TRSE-00 STRE-00 SSO-00 SS-15
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NSAE-00 INRE-00 EB-08 COME-00 /064 W
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LIMITED OFFICIAL USE SECTION 3 OF 4 BRASILIA 3920

6. OFFICIAL RESPONSE-THE MODERATES. PERHAPS THE MOST MODERATE RESPONSE TO BERGSTEN'S SPEECH CAME FROM MINISTER OF FINANCE SIMONSEN. HE STATED THAT THE FACT THE SPEECH OCCURRED AT THE SAME TIME AS AMBASSADOR WOLFF'S TALKS IN BRASILIA WAS A QUOTE INOPPORTUNE COINCIDENCE END QUOTE WHICH HE DID NOT BELIEVE AS INTENTIONAL. HE OBSERVED THAT WHILE THE US MAY HAVE CERTAIN COMPLAINTS ABOUT BRAZIL QUOTE WE ALSO HAVE MANY COMPLAINTS ABOUT THE THE UNITED STATES SUCH AS THE TRADE ACT WHICH CONSISTS OF A UNILATERAL DECISION WITH RESPECT TO MULTILATERAL PROBLEMS END QUOTE. HE ADDED THAT WHAT IS NEEDED IS TO QUOTE SIT DOWN AT A TABLE AND DISCUSS END QUOTE. HE EMPHASIZED THE CONSTRUCTIVE NATURE OF THE TALKS OF THE SUB-GROUP ON TRADE AND THE NEED TO ARRIVE AT AGREEMENTS WITHIN THE CONTEXT OF GATT. SIMILARLY, MINISTER OF PLANNING VELLOSO WAS REPORTED AS DISMISSING BERGSTEN'S COMMENTS AS RELATIVELY UNIMPORTANT IN COMPARISON WITH THE NEGOTIATIONS WITH THE TRADE DELEGATION HEADED BY AMBASSADOR WOLFF WHICH QUOTE WENT VERY WELL AND WERE VERY POSITIVE END QUOTE. PROENCA ROSA, CHIEF OF THE FOREIGN MINISTRY'S ECONOMIC DEPARTMENT AND HEAD SPOKESMAN FOR BRAZIL IN THE MEETINGS OF THE SUB-GROUP ON TRADE REPORTEDLY COMMENTED TO A GROUP OF EXPORTERS IN RIO THAT HE DID NOT CONSIDER BERGSTEN'S SPEECH AS A THREAT.

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PAGE 02 BRASIL 03920 03 OF 04 162145Z

7. OTHER OFFICIAL RESPONSES. MINISTER OF FOREIGN AFFAIRS SILVEIRA RESPONDED TO BERGSTEN'S SPEECH BY CHARGING THAT THE UNITED STATES FAVORS GATT WHEN IT PROTECTS AMERICAN EXPORTS BUT DOES NOT

CONFORM TO GATT IN ITS APPLICATION OF THE TRADE ACT TO AMERICAN IMPORTS. HE DECLARED HIMSELF TO BE OPTIMISTIC, HOWEVER, WITH REGARD TO THE MTN NEGOTIATIONS BECAUSE HE UNDERSTOOD AMBASSADOR WOLFF TO SAY THAT THE US ACCEPTS THE PRINCIPLE OF PROOF OF INJURY WHICH WOULD BE DETERMINED BY AN INTERNATIONAL ORGANIZATION (COMMENT: AMBASSADOR WOLFF DID NOT REPEAT NOT ACCEPT THE CONCEPT OF INTERNATIONAL DETERMINATION OF INJURY BUT RATHER INDICATED THE US MIGHT ACCEPT A FACT FINDING OR ADVISORY FUNCTION BY AN INTERNATIONAL BODY). FRANCISCO DORNELLES, CHIEF GOB SPOKESMAN ON EXPORT SUBSIDIES, SAID TO THE PRESS THAT HE QUOTE UNDERSTOOD THAT FRED BERGSTEN HAS THE RIGHT TO URGE BRAZIL TO TAKE CERTAIN MEASURES BUT IN THE SAME WAY ANY BRAZILIAN HAS THE RIGHT TO URGE THE UNITED STATES TO MODIFY THE TRADE ACT WHICH IS THE MOST DRACONIAN TRADE LAW IN EXISTENCE, TO URGE THE UNITED STATES NOT TO TAX PROFITS EARNED OUTSIDE ITS OWN BORDERS, AND TO URGE THE UNITED STATES TO RESPECT GATT PRINCIPLES REGARDING THE PROOF OF INJURY BEFORE IMPOSING COUNTERVAILING DUTIES END QUOTE. THE FOLLOWING OTHER SPOKESMEN RESPONDED BY DEFENDING BRAZIL'S RIGHT AS A DEVELOPING COUNTRY WITH BALANCE OF PAYMENTS PROBLEMS TO HAVE RECOURSE TO IMPORT PROTECTION AND EXPORT SUBSIDIZATION: MINISTER OF INDUSTRY AND COMMERCE CALMON DE SA, CACEX DIRECTOR BENEDITO MOREIRA, AND ARENA PARTY SPOKESMAN SENATOR VIRILIO TAVORA. CALMON DE SA AND MOREIRA ALSO ACCUSED THE UNITED STATES OF BEING MORE PROTECTIONIST THAN BRAZIL. THE PRESIDENT OF THE NATIONAL STOCK MARKET COMMISSION, RUY LAGE, RESPONDED TO BERGSTEN'S COMMENTS ON RESTRICTIONS ON PROFIT REMITTANCES, SAYING THAT MULTINATIONAL COMPANIES QUOTE EXERT STRONG PRESSURES ON GOVERNMENTS AND FREQUENTLY ENGAGE IN DUMPING AND THE FORMATION OF CARTELS END QUOTE. AN UNNAMED SPOKESMAN FROM THE FOREIGN MINISTRY REPORTEDLY SAID THAT BERGSTEN IS BADLY LIMITED OFFICIAL USE

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PAGE 03 BRASIL 03920 03 OF 04 162145Z

INFORMED BECAUSE HE DID NOT APPEAR TO BE AWARE OF THE FACT THAT QUOTE BRAZIL IS PARTICIPATING ACTIVELY IN THE MULTILATERAL TRADE NEGOTIATIONS END QUOTE.

8. PRIVATE SECTOR REACTIONS. AMONG PRIVATE SECTOR REACTIONS TO BERGSTEN'S SPEECH WAS A COMMENT BY JOSE MINDLIN, VICE PRESIDENT OF THE FEDERATION OF INDUSTRIES OF THE STATE OF SAO PAULO WHO DEFENDED BRAZIL'S TRADE RESTRICTIONS AS TEMPORARY MEASURES REQUIRED BY PARTICULARLY DIFFICULT BALANCE OF PAYMENTS PROBLEMS. THE PRESIDENT OF THE NATIONAL ASSOCIATION OF PAPER MANUFACTURERS, HORAZIO CHERKASKY, WAS NOT SURPRISED BY THE OUTLINE OF UNITED STATES POSITIONS IN THE BERGSTEN SPEECH BUT FELT THAT CERTAIN ELEMENTS WERE AIMED AT SETTING THE STAGE QUOTE FOR POSSIBLE RETALIATION END QUOTE IF BRAZIL DOES NOT MAKE CONCESSIONS. CARLOS LANGONI OF THE GETULIO VARGAS FOUNDATION SAW NO REASONS FOR ALARM

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PAGE 01 BRASIL 03920 04 OF 04 162128Z
ACTION ARA-14

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LIMITED OFFICIAL USE SECTION 4 OF 4 BRASILIA 3920

BECAUSE HE SAID BRAZIL, IF NECESSARY WILL REDUCE ITS INCENTIVES FOR EXPORTS TO THE US BUT CONTINUE TO USE THEM FOR SELLING TO OTHER COUNTRIES. LAERTE SEBUBAL, ALSO VICE PRESIDENT OF THE FEDERATION OF INDUSTREIS OF THE STATE OF SAO PAULO, DECLARED THAT BERSTEN'S SPEECH IS A BETTER REFLECTION OF THE VIEW OF THE LEGISLATIVE BRANCH OF THE US GOVERNMENT THEN OF THE EXECUTIVE HE SAID THAT THE APPARENT INCONSISTENCIES OF THE POSITIONS ATTRIBUTED TO BERGSTEN AND AMBASSADOR WOLFF WOULD SEEM TO HIM AS REFLECTING LACK OF A CLEAR POLICY WITHIN THE USG VIS A VIS BRAZIL.

9. EMBASSY COMMENT. THE EXTENT OF THE NEGATIVE REACTION TO GERGSTEN'S SPEECH IS SOMEWHAT REMARKABLE IN VIEW OF THE FACT THAT IN CONSIDERABLE MEASURE IT PARALLELS POSITIONS SET FORTH BY BERGSTEN IN A SPEECH WHILE IN BRAZIL IN DECEMBER 1977. FURTHERMORE, THE POSITIVE ASPECTS OF THE SPEECH--FROM BRAZIL'S STANDPOINT--SUCH AS THE DECLARATION OF US READINESS TO ACCEPT THE PRINCIPLE OF PROOF OF INJURY AND TO CONSIDER WAYS TO APPLY THE RULES OF ANY MULTILATERAL SUBSIDIES CODE FLEXIBLY TO DEVELOPING COUNTRIES RECEIVED ALMOST NO ATTENTION. WE BELIEVE THE REACTION IS ATTRIBUTABLE TO TWO FACTORS. FIRST,
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PAGE 02 BRASIL 03920 04 OF 04 162128Z

THE STATEMENT WAS CONSIDERABLY MORE EXPLICIT AND DETAILED THAN ANY MADE PUBLIC PREVIOUSLY AS REGARDS COUNTERVAILING DUTY

PROBLEMS AND THE POTENTIAL FOR CONFLICT IN US - BRAZIL TRADE RELATIONS IF A SOLUTION IS NOT WORKED OUT AND EXPIRATION OF THE US WAIVER AUTHORITY SHOULD RESULT IN EXTENSIVE NEW COUNTERVAILING DUTY ACTIONS. SECONDLY, WE BELIEVE BOTH PRIVATE AND OFFICIAL BRAZILIANS REACTED SHARPLY TO BERGSTEN'S COMMENTS BECAUSE THEY APPEARED IN THE PRESS AT PRECISELY THE SAME MOMENT AS DID REPORTS OF POSITIVE TALKS BETWEEN REPRESENTATIVES OF THE TWO GOVERNMENTS IN BRASILIA. EVEN IN ACKNOWLEDGING THE CONSISTENCY OF THE POSITIONS EXPRESSED BY BERSTEN WITH TOSE SET FORTH BY AMBASSADOR WOLFF, MANY BRAZILIANS HAVE POINTED TO THE APPARENT CONTRAST IN ATTITUDE AND TONE. COMMENTS BY GOB OFFICIALS INCLUDED REBUTTALS FOR THE RECORD BY THE KEY MINISTERS, WHICH ALTHOUGH RELATIVELY MILD INDICATED THEIR CONSIDERABLE SENSITIVITY TO PUBLIC CRITICISM OF GOB POLICIES IN COMPARISON WITH TACIT ACCPETANCE OF CRITICISM CONVEYED PRIVATELY IN GOVERNMENT-TO-GOVERNMENT TALKS. IN SPITE OF THE SCOPE AND NEGATIVE CHARACTER OF MUCH OF THE COMMENT, WE NOTE THAT THREE MINISTERS CHOSE TO CONCLUDE THEIR COMMENTS BY EMPHASIZING THE POSITIVE ASPECTS OF THE RECENT TRADE TALKS AND THE IMPORTANCE OF CONTINUING HOPEFULLY CONSTRUCTIVE DISCUSSIONS IN THE NEAR FUTURE. MINISTER SIMONSEN, IN PARTICULAR, CHOSE NOT TO EXAGGERATE THE IMPORTANCE OF THE ALLEGED AGGRESSIVE TONE OF BERGSTEN'S COMMENTS. FOREIGN MINISTER SILVEIRA FOLLOWED HIS SHARPLY CRITICAL REMARKS WITH AN EXPRESSION OF OPTIMISM AS REGARDS THE MTN. ALSO PLANNING MINISTER VELLOSO CHOSE NOT TO REACT NEGATIVELY BUT RATHER TO STRESS THE IDEA OF BUILDING ON MUTUAL UNDERSTANDINGS. THUS WE DO NOT BELIEVE THAT THE PRESS RESPONSE TO BERGSTEN'S SPEECH NECESSARILY IMPLIES THAT GOB ITSELF WILL REACT IN ANGER AND ADOPT A MORE DIFFICULT STANCE IN COMINGS WEEKS. ON THE CONTRARY BERGSTEN'S STATEMENTS EFFECTIVELY SERVED TO REINFORCE WELL KNOWN US POSITIONS AND THE COMBINATION OF HIS SPEECH AND THE LIMITED OFFICIAL USE

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PAGE 03 BRASIL 03920 04 OF 04 162128Z

POSITIVE TONE ESTABLISHED DURING THE TALKS OF THE SUB-GROUP ON TRADE COULD CONCEIVABLY LEAD TO MORE FORTH COMING GOB ATTITUDES IN THE FINAL ROUND OF THE MTN. ON THE OTHER HAND, THE GOV NEVER LIKES TO ACT UNDER WHAT IT PERCEIVES AS EXTERNAL PRESSURE. FOR THIS REASON, THE TASK OF THE MODERATES WITHIN THE GOB TO CONVINCE PRESIDENT GEISEL OF THE NEED FOR A MORE FLEXIBLE AND CONSTRUCTIVE BRAZILIAN POSITION MAY HAVE BEEN MADE MORE DIFFICULT.

IN THIS CONNECTION, WE NOTE THAT BY THE WEEK-END THE FINANCE MINISTER'S TONE AS REFLECTED IN BRIEFINGS BY ANONYMOUS FINANCE MINISTRY SPOKESMEN HAD HARDENED. PERHAPS LARGELY FOR TACTICAL REASONS RELATED TO BUREAUCRATIC DIFFERENCES WITHIN THE GOB OVER THE PERCEIVED OUTCOME OF THE SUB-GROUP ON TRADE TALKS, THESE SOURCES PROVIDED DISTORTED ACCOUNTS OF SIMONSEN'S MEETING WITH AMBASSADOR WOLFF TO THE BRAZILIAN PRESS. THESE MORE RECENT DEVELOPMENTS WILL BE THE SUBJ OF SEPTTEL.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE, GOVERNMENT REACTIONS, SPEECHES, CHAMBERS OF COMMERCE
Control Number: n/a
Copy: SINGLE
Draft Date: 16 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BRASIL03920
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780207-0054
Format: TEL
From: BRASILIA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780556/aaaabvcj.tel
Line Count: 440
Litigation Code IDs:
Litigation Codes:
Litigation History:
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Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 9
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 BRASILIA 3919
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2683002
Secure: OPEN
Status: NATIVE
Subject: BRASILIAN RESPONSE TO SPEECH BY TREASURY ASSISTANT SECRETARY BERGSTEN
TAGS: ETRD, BR, US, (BERGSTEN, C FRED)
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/0a59c19c-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014